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Vietnam

Coffee Annual

2011 Coffee Annual

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Report Highlights:

Post estimates that coffee production in MY2010/11 will reach 18.7 million 60 kg-bags, or 1.12 million metric tons (MMT) of coffee beans. Vietnam's coffee production for MY 2011/2012 is estimated at 20.6 million 60 kg-bags or 1.24 MMT of coffee beans, about a 10 percent increase over the previous year due to high yields and improved investment in production. Current high prices will motivate coffee growers and local traders to export most of their beans; therefore, Post expects that carry-in stock levels for MY 2011/2012 will be only 1.2 million bags, or 72 thousand metric tons (TMT) of green bean equivalent (GBE).

Commodities:

Coffee, Green

Production:**Marketing Year (MY) 2010/11 (Oct-Sep)**

Post estimates that coffee production in MY 2010/11 will reach 18.7 million 60 kg-bags, or 1.12 million metric tons (MMT) of coffee beans. This is a seven percent increase over the previous marketing year, due to favorable weather in Vietnam's main coffee growing areas and additional output from young coffee trees in new and replanted production areas.

Marketing Year (MY) 2011/12 (Oct-Sep)

Post's forecast for MY 2011/2012 coffee production is 20.57 million 60 kg-bags or 1.23 MMT, about a 10 percent increase over MY 2010/11. Recent favorable weather conditions and the current high market price for coffee have bolstered farmer's incomes and given them the confidence to make greater investments in their next crop.

According to local traders, high prices and an expectation of better yields motivated coffee growers to begin irrigating their fields in late February, during the flower blooming period. In recent years, coffee farmers have improved the precision of field irrigation and fertilizer application, producing less waste and enhancing yields. The rainy season arrived on time in the Central highlands and the fruit setting period has gone well, yields should be good if the weather in June and July remains favorable.

According to Vicofa (Vietnam Coffee & Cocoa Association), Vietnam has about 137,000 ha of old and low-quality coffee trees that need to be replaced, accounting for more than 25 percent of total area. The Government of Vietnam (GVN) is encouraging farmers to replace old and low-quality coffee trees, especially in the provinces of Dak Lak and Lam Dong. The GVN hopes that the current high prices and increased farm income levels will encourage investment in both newly planted and grafted trees.

Exporters and local coffee experts expect that a large area of old and low-quality coffee trees will be replanted in the near future. This could temporarily reduce production by up to 20 percent. On the other hand, ideal weather and improved inputs should increase production up to 30 percent. Post predicts that the increase will offset the drop in production from replanting and will make the overall increase in total production of MY2011/12 at least 10 percent.

According to the Ministry of Agriculture and Rural Development (MARD), Arabica coffee accounts for 3 percent of the total coffee production in Vietnam; the other 97 percent is Robusta. Although the production area for Arabica is slowly expanding in the Northern and Central regions in Vietnam, Post still does not expect Arabica production to surpass the 3 percent threshold in the next five years.

Table 1: Coffee Production by Marketing Year (Oct.-Sept.)

	2009/2010	2010/2011	2011/2012 forecast
Marketing year begins	10/2009	10/2010	10/2011
Production (green bean, thousand tons)	1,050	1,124	1,236
Average coffee yield (ton/ha)	2.09	2.1	2.2

Source: Post estimates

Consumption:

According to local coffee producers, Vietnam's domestic consumption has grown significantly in recent years. Post has revised its estimates for domestic consumption in MY 2010/11 to 1.5 million 60 kg bags, or 90 thousand metric tons (TMT) green bean equivalent (GBE), about 20 percent higher than the previous year. Domestic consumption utilizes about 8 percent of total production. Vietnam's current per capita coffee consumption, while increasing, is only about 0.97 kg/person, still considerably lower than other producing and importing countries (see Table 2).

Table 2: Per Capita Coffee Consumption of Selected Countries

Country	Per capita coffee consumption in 2008 (kg/capita)	Per capita coffee consumption in 2009 (kg/capita)	*Per capita coffee consumption in 2010 (kg/capita)
Coffee Exporting Countries			
Vietnam	0.70	0.82	0.97
Brazil	5.48	5.64	n/a
Honduras	3.77	3.77	n/a
Venezuela	3.41	3.52	n/a
Costa Rica	3.54	3.17	n/a
Nicaragua	2.01	2.22	n/a
Coffee Importing Countries			
Norway	8.99	8.92	n/a
Switzerland	9.14	7.65	n/a
Canada	5.79	5.94	n/a
EU	4.82	4.67	n/a
USA	4.17	4.09	n/a
Japan	3.33	3.36	n/a

Source: International Coffee Organization; Post estimates

Domestic marketers began courting domestic consumers by selling a range of roasted, ground, and instant coffee products in wholesale supermarkets, retail supermarkets, and convenience shops. Stylish coffee chains have opened all over the country; popular cafes include Trung Nguyen Café, Highlands Coffee, and Gloria Jean's.

As more middle-class consumers respond to the coffee industry's effective marketing efforts, coffee consumption at home continues to increase. Young consumers in major cities are the fastest growing

market segment. Some coffee producers and marketers believe that domestic consumption could reach 100 TMT-GBE in the current marketing year. However, no official data exists for Vietnam's domestic coffee consumption, and no reasonable survey or market research is available.

Trade:

Exports:

According to trade data from the General Customs Office, Vietnam exported 10.02 million 60kg-bags or 601 TMT-GBE in the first six months of MY 2010/11 (Oct.– Mar.), a 17 percent increase over the same period of MY 2009/10 (see Table 3). The export value in the first half of the MY 2010/11 reached a record of \$1.2 billion, an increase of 65 percent over the same period of the previous marketing year thanks to near record global prices.

Table 3: Vietnam's Green Coffee Exports, MY 2008/09 – MY 2010/11

Month	2008/2009		2009/2010		2010/2011*		% Change MY2010/11 over MY 2009/10	
	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume	Value
Oct.	34	60	52	74	49	85	-6%	15%
Nov.	63	106	70	100	62	109	-11%	9%
Dec.	159	262	114	160	113	203	0%	27%
Jan.	118	182	112	158	136	267	21%	69%
Feb.	119	181	64	92	94	197	47%	114%
Mar.	110	158	104	142	147	333	41%	135%
Sub-total	603	949	516	726	601	1,194	16%	64%
April	103	149	102	137				
May	69	100	78	111				
June	64	93	79	114				
July	44	63	81	124				
Aug.	49	70	69	110				
Sept.	45	65	65	106				
Grand Total	977	1,489	989	1,426				

*Source: Global Trade Atlas; *Vicofa and General Customs Office*

In the first six months of MY 2010/11, Vietnam exported coffee beans to almost 75 countries worldwide. The top fifteen markets accounted for about 84 percent of total Vietnamese coffee bean exports. The United States became the largest importer of Vietnamese green coffee beans (see Table 4 & Table 5). Vietnam's coffee bean exports to Belgium, Italy, Netherlands, Singapore, and France grew significantly in the first half of MY 2010/11 compared with the same period of the previous marketing year (see Table 4).

Table 4: Key Markets for Vietnamese Green Coffee Exports, first half of MY 2009/2010 and MY 2010/2011

Rank	Export Destinations	MY 2009/2010 (Oct.2009-Mar.2010)		MY 2010/2011 (Oct.2010-Mar.2011)		% Change MY2010/11 over MY 2009/10	
		Vol. (TMT)	Value (\$000)	Vol. (TMT)	Value (\$000)	Vol. (TMT)	Value (\$000)
1	United States of America	74	116,455	97	208,803	31%	79%
2	Germany	81	116,008	74	151,440	-9%	31%
3	Belgium	25	34,428	74	143,267	196%	316%
4	Italy	34	47,265	57	109,283	68%	131%
5	Spain	34	46,077	42	81,150	24%	76%
6	Netherlands	9	12,938	25	48,803	178%	277%
7	Japan	25	38,935	22	51,133	-12%	31%
8	South Korea	15	20,977	18	32,699	20%	56%
9	Singapore	3	4,254	16	30,472	433%	616%
10	Switzerland	18	23,245	15	30,475	-17%	31%
11	United Kingdom	19	24,640	15	30,955	-21%	26%
12	Russia	15	19,620	14	25,925	-7%	32%
13	China	9	12,496	13	23,968	44%	92%
14	Algeria	12	16,899	13	24,643	8%	46%
15	France	7	9,633	12	22,395	71%	132%
16	Others	135	181,531	94	178,772	-30%	-2%
	Total	515	725,401	601	1,194,183	17%	65%

Source: Vicofa; General Customs Office

Table 5: U.S. Coffee Imports from Vietnam

Product	MY 2009 (Oct.- 08-Sept. 09)		MY 2010 (Oct. 09-Sept. 10)		MY 2011 (Oct.10-Mar. 11)	
	Value ('000 \$)	Qty (MT)	Value ('000 \$)	Qty (MT)	Value ('000 \$)	Qty (MT)
Coffee, Not Roasted (HS code 090111)	238,310	153,782	319,936	211,377	198,875	97,301
Coffee, Not roasted Def (HS code 090112)	4,774	2,899	7,070	3,940	7,397	2,801
Coffee, Roasted (HS code-090121)	2,283	511	2,033	644	1,001	282.6
Coffee, Roasted, Def (HS code 090122)	635	166	1,130	394	3,659	1,242
Coffee Husks and skins (HS code 090190)	11	4.6	7	1.7	6	1.5
Coffee Extracts, Instant coffee (HS code 2101)	4,093	1,245	4,283	1,378	3,306	1,018

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

According to Vietnam's General Statistics Office, Vietnam exported 940 TMT of coffee of all types, valued at \$1.9 billion, in first seven months of MY 2010/11. This was a 27 percent increase in volume and 84 percent increase in value over the same period of the previous market year (see Table 6).

Table 6: Vietnam's Coffee Product Exports (All Types), MY 2008/09 – MY 2010/11

Month	2008/2009 (Begin: Oct. 2008)		2009/2010 (Begin: Oct. 2009)		2010/2011 (Begin: Oct. 2010)		% Change MY2010/11 over MY 2009/10	
	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume	Value
Oct.	39	71	55	79	57	97	4%	23%
Nov.	71	121	82	115	69	120	-16%	4%
Dec.	130	221	145	202	164	292	13%	45%
Jan.	136	210	141	198	215	414	52%	109%
Feb.	153	234	77	110	144	303	87%	175%
Mar.	136	199	123	168	161	365	31%	117%
April	124	180	117	159	130	307	11%	93%
Sub-total	789	1,236	740	1,031	940	1,898	27%	84%
May	92	132	100	141				
June	78	115	95	137				
July	53	76	89	138				
Aug.	54	77	78	123				
Sep.	48	71	58	93				
Grand Total	1,114	1,707	1,160	1,663				

Source: General Statistics Office

According to GVN trade data, in the first half of MY2010/11, Vietnam exported ground, roasted and soluble coffee products with a value of over \$84 million. Vicofa believes that Vietnam should invest in the production of more value-added coffee products, such as instant coffee, to fulfill growing demand in China and in the Association of Southeast Asia Nations (ASEAN).

Imports:

Vietnam continues to import small quantities of green coffee, as well as roasted and instant coffees. According to trade data from Vicofa and the General Customs Office, total green bean coffee imports for the first half of MY2010/11 were 125 thousand 60-kg bags, or 7.5 TMT-GBE, a 286 percent increase over the same period of the previous marketing year. The total value reached \$21 million. Eighty-seven percent of the imported beans were Arabica, mainly from Laos and Indonesia.

According to the Global Trade Atlas, Vietnam imported small quantities of roasted and instant coffee products during the first six months of MY2010/11 with total values of \$358 thousand and \$10 million, respectively. Instant coffee products were sourced mainly from Thailand, Indonesia, and Malaysia.

PRICES

Export:

The average export price of Vietnam's Robusta coffee beans for the first seven months of MY 2010/11 was \$1,964/MT (FOB Ho Chi Minh City basis), which is a 55 percent increase over the same period of the previous marketing year (\$1,271/MT) (see Table 7, Graph 1). The increase in price can be attributed to low world stocks, growing global demand, and uncertain weather in some coffee exporting countries.

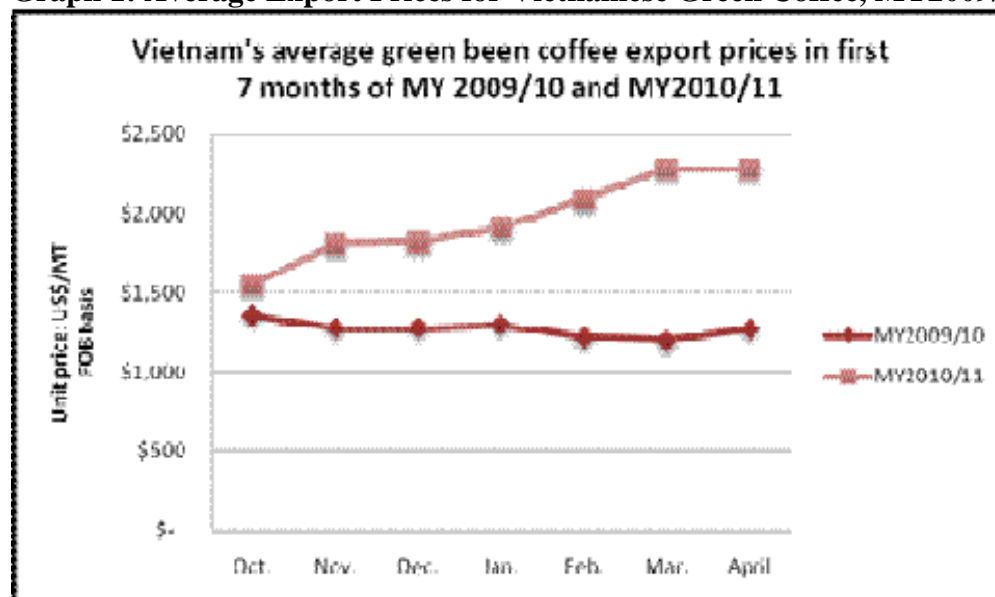
On May 4, 2011, \$2,570/MT FOB Ho Chi Minh City basis was quoted for ungraded Robusta green beans, according to Vicofa. This is the highest price quoted in the past sixteen years (see Graph 2), but it is still lower than the record price of \$2,658 in MY 1994/95.

Table 7: Average Export Prices for Vietnamese Green Coffee, MY2009/10 - MY2010/11

FOB (Ho Chi Minh City) for common ungraded coffee beans (US\$/MT)	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Average price for 7 months
MY2009/10	\$1,357	\$1,278	\$1,277	\$1,297	\$1,218	\$1,198	\$1,271	\$1,271
*MY2010/11	\$1,552	\$1,806	\$1,821	\$1,910	\$2,093	\$2,281	\$2,283	\$1,964
% change MY2010/11 over MY2009/10	14%	41%	43%	47%	72%	90%	80%	55%

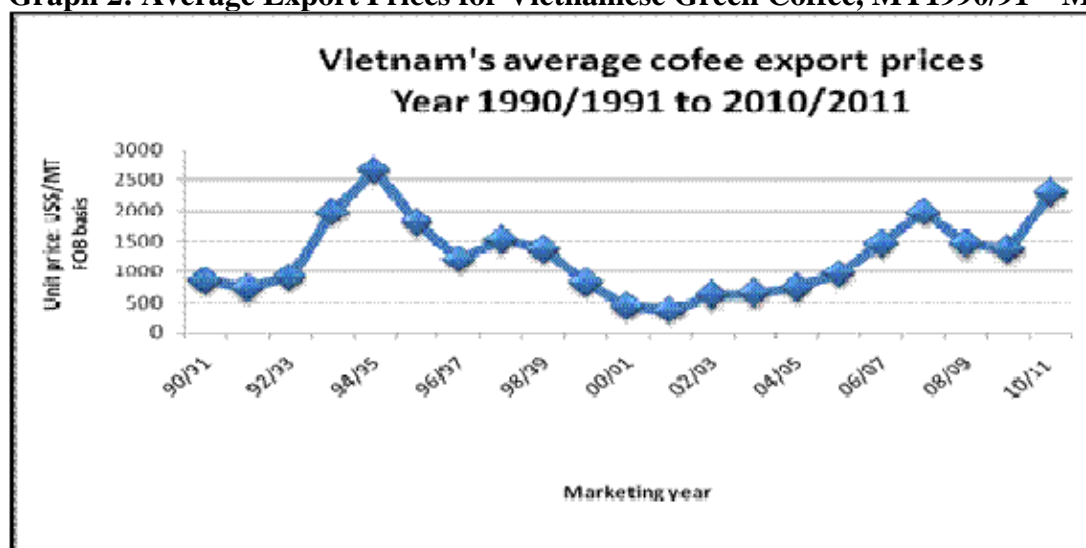
Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip); *Vicofa

Graph 1: Average Export Prices for Vietnamese Green Coffee, MY2009/10 – MY 2010/11



Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip); Vicofa

Graph 2: Average Export Prices for Vietnamese Green Coffee, MY1990/91 – MY 2010/11



Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip); Vicofa

Domestic:

Vietnam's average domestic coffee price for Robusta common ungraded coffee beans in the first seven months of MY 2010/11 in Dak Lak province, the largest coffee growing area in Vietnam, was VND 39,111/kg (\$1.89), an increase of 63 percent over the same period of the previous marketing year in line with the increase of coffee prices in the global market (see Table 8, Table 9).

The price of VND 50,000 (\$2.40) was recently quoted for common ungraded Robusta coffee beans in Dak Lak province. Coffee growers hope they will be able to sell their coffee beans at these prices during the second half of the current marketing year.

Table 8: Average prices for Robusta Beans in Major Coffee Growing Provinces in MY2010/2011

Common coffee beans (VND/kg)	Oct. 2010	Nov. 2010	Dec. 2010	Jan. 2011	Feb. 2011	Mar. 2011	Apr. 2011	Average price, first 7 months of MY2010/11
Dak Lak Province	30,210	34,190	35,390	37,730	42,630	46,410	47,220	39,111
Lam Dong Province	30,210	34,200	35,380	37,720	42,440	46,270	47,120	37,703
Gia Lai Province	30,130	34,050	35,260	37,690	42,440	46,330	47,200	37,650
Dak Nong Province	30,130	34,080	35,310	37,780	42,770	46,460	47,280	39,116

Source: Vicofa

Exchange rate as of May 11, 2011: US\$1 = VND 20,698 (Source: State Bank of Vietnam)

Table 9: Average Prices for Robusta Beans in Dak Lak Province (MY 2008/2009-2010/2011)

Month	Common Coffee Bean			
	MY 08/09 (VND)	MY 09/10 (VND)	MY 10/11* (VND)	Changes MY 10/11 over MY 09/10 (%)
October	23,400	24,400	30,210	24%
November	25,700	24,100	34,190	42%
December	24,800	24,200	35,390	46%
January	25,300	24,000	37,730	57%
February	25,200	23,200	42,630	84%
March	24,200	23,300	46,410	99%
April	24,800	24,300	47,220	94%
Average price for 7 months in MY2010/11	24,771	23,929	39,111	63%
May	25,000	24,300		
June	24,100	26,000		
July	24,400	29,400		
August	24,500	29,300		
September	24,900	29,200		

Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip); *Vicofa

Stocks:

No official data for coffee stocks are available. According to local coffee growers/traders, processors and traders are currently holding about 300-350 TMT of coffee beans. Due to high prices, coffee growers have been selling almost all of their coffee beans and are currently holding small stocks at their houses. According to local traders, Vicofa's proposed stockpiling program for 5 million 60 kg-bags or 300 TMT-GBE for MY2010/11 has not yet been approved by the GVN.

Post's estimate for MY 2011/12 coffee carry-in stocks is 1.7 million 60kg-bags, or 100 TMT-GBE, a 39 percent increase over the previous marketing year.

Policy:

Vietnam opens first commodities exchange

In January 2011, Vietnam opened its first commodities exchange, Vietnam Commodity Exchange (VNX), in Ho Chi Minh City. VNX will operate as a joint-stock company with an initial charter capital of VND150 billion (US \$7.5 million). The Ministry of Industry and Trade has licensed VNX to trade all commodities; however, in 2011 the company will focus on coffee, rubber, and steel. VNX's operational mechanisms are modeled on other commodity exchanges around the world. Its customers can trade both spot contracts and futures contracts. The company offers investor services linked to commodity futures contracts and options for commodity swaps, as well as brokerage, goods evaluation, transactions, investment consulting, risk management, derivatives, and financial support. VNX plans to open another trading center in Hanoi in the next two years.

INDUSTRY ACTIVITIES

Buon Ma Thuot Coffee Exchange Centre launches futures trading

In March 2011, the Buon Ma Thuot Coffee Exchange Center (BCEC) launched futures trading as part of its business. Each futures contract is two metric tons of green bean coffee. The contracts are priced in VND and are traded from 2pm to 5pm every day. Traders can confirm their positions (loss, gain) through BCEC's daily report. The goal of this exchange is to help both producers and marketers hedge their risk. The Dak Lak People's Committee supports BCEC through trade promotion and by attracting new investors and customers.

Production, Supply and Demand Data Statistics :

Table 10: Vietnam's Coffee Production, Supply and Demand (PSD)

Coffee, Green Vietnam	2009/2010		2010/2011		2011/2012	
1000 HA, MILLION TREES, 1000 60 KG BAGS	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	536	0	0	0		0
Area Harvested	504	0	0	0		0
Bearing Trees	629	0	0	0		0
Non-Bearing Trees	80	0	0	0		0
Total Tree Population	709	0	0	0		0
Beginning Stocks	2,308	2,308	1,784	1,285		1,194
Arabica Production	450	450	475	583		667
Robusta Production	18,300	18,050	18,250	18,150		19,933
Other Production	0	0	0	0		0
Total Production	18,750	18,500	18,725	18,733		20,600
Bean Imports	75	51	80	80		133
Roast & Ground Imports	1	1	1	1		1
Soluble Imports	25	25	25	25		25
Total Imports	101	77	106	106		159
Total Supply	21,159	20,885	20,615	20,124		21,953
Bean Exports	18,190	18,190	17,200	17,200		18,500
Rst - Grnd Exp.	25	50	50	50		50
Soluble Exports	160	160	180	180		200
Total Exports	18,375	18,400	17,430	17,430		18,750
Rst., Ground Dom. Consum	900	1,080	950	1,320		1,343
Soluble Dom. Cons.	100	120	100	180		190
Domestic Use	1,000	1,200	1,050	1,500		1,533
Ending Stocks	1,784	1,285	2,135	1,194		1,670
Total Distribution	21,159	20,885	20,615	20,124		21,953

Source: USDA/FAS

Statistical Tables:

Table 11: Vietnam's Coffee Export Trade Matrix for MY208/2009-MY2009/2010 (Oct.-Mar.)

Country	Vietnam		
Commodity	Coffee, Green		
Time Period	Oct.- Mar.	Units:	MT
Exports for:	2010		2011
U.S.	74,297	U.S.	96,547
Others		Others	
Germany	80,863	Germany	74,411
Italy	34,182	Belgium	74,338
Spain	33,851	Italy	56,692
Japan	25,148	Spain	42,122
Belgium	24,913	Netherlands	24,722
Indonesia	18,860	Japan	22,339
United Kingdom	18,812	South Korea	18,364
Switzerland	17,536	Singapore	16,054
South Korea	15,181	Switzerland	15,245
Russia	14,816	United Kingdom	15,197
Total for Others	284,162		359,484
Others not Listed	156,652		145,855
Grand Total	515,111		601,886

Sources: Vicofa, General Customs Office

Table 12: Green Coffee Import Trade Matrix for MY2009/2010-MY2010/2011 (Oct.-Mar.)

Country	Vietnam		
Commodity	Coffee, Green		
Time Period	Oct.-Mar.	Units:	MT
Imports for:	2010		2011
U.S.	0	U.S.	0
Others		Others	
Indonesia	651	Laos	5,292
Laos	495	Indonesia	1,541
Total for Others	1,146		6,833
Others not Listed	787		627
Grand Total	1,933		7,460

Sources: Vicofa; General Customs Office; General Statistics Office